

Report Card

TEACHERS' FUND FOR RETIREMENT

OCTOBER 1998

TFFR Celebrates 85 Years

Check out the new look of your Report Card!

The Retirement and Investment Office is updating and changing the look of the Report Card, Retirement Today and Your Vested Interest newsletters. We've incorporated our apple graphic from the RIO logo, and added a fresh new design to each publication.

Enjoy!

Senate Bill #85 Turns 85

Looking back on it, the whole thing went through with amazing smoothness.

On January 20, 1913, Senate Bill No. 85 was introduced into the State Legislature: "A Bill for an Act creating a Teachers' Insurance and Retirement Fund and providing for its maintenance

and disbursement." Six weeks later, with only minimal changes and a combined vote of 144 to 10 in its favor, the bill had cleared both houses and on

March 11, 1913 was signed into law by Governor Louis B. Hanna. On July 1, 1913, a new entity of state government began its work.

The Teachers' Fund for Retirement (TFFR) continues its work today through its mission "to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available."

Membership Survey Results

Last May, the TFFR Board conducted a membership survey. Questionnaires were mailed to 1,200 randomly selected TFFR members (800 active and 400 retired). Thirty eight percent of the sample responded. This assures a margin of error no greater than 4.5% and a confidence level of 95%, according to the UND Bureau of Governmental Affairs who compiled the survey information. Here are the highlights:

- 71% of the respondents have average to above average understanding of TFFR benefits.
- 97% rate TFFR publications average to excellent.
- 67% are satisfied with the way benefit improvements have been made in the past.
- 50% are not sure if they would participate in a "Prefunded Health Insurance Program," 16% said they would, and 30% said they would not.
- 67% rank a multiplier increase for active members and a benefit increase for retirees as the number one priority.

- 21% rank creation of a "Prefunded Health Insurance Program" as the number one priority.
- 72% do not want to reduce the school district contributions with actuarial reserves.
- 53% are in favor of an internet site.
- 43% do not favor the use of an automated voice response system.
- 93% have moderate to high confidence in the administration of the retirement plan.
- 82% are or were classroom teachers and 13% hold or held administrative positions.
- 55% are active members and 43% are retired members or beneficiaries.

The Board is using the results of the survey to determine priorities for using actuarial reserves, if any, for benefit improvements and to help establish service priorities.

A big thanks to members who took the time to complete and return the questionnaire. We appreciate your valuable input.

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Mark Sanford, *President*

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Norman Stuhmiller Harley McLain
Kathi Gilmore Wayne Sanstead

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**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**

*Teachers' Fund for Retirement
State Investment Board*

Hello Members!

1913-1998: 85 Years of Pension Plan Administration

I wish I could have been at the first TFFR Board meeting held 85 years ago. According to the Fund's records:

"After Governor Hanna signed the commissions formally appointing Clara Struble of Grand Forks, Peter Berg of Dickinson, and John Haig of Devils Lake as the first Board of Trustees of the Teachers' Insurance and Retirement Fund (TIRF), the group held their first meeting on August 14, 1913. (Other board members included State Superintendent Ed Taylor and State Treasurer Gunder Olson.) The first order of business during the meeting was election of officers. Haig, as senior member both in terms of age and educational experience in the state, was elected as President. Since Berg had indicated an interest in tackling the exacting duties of Secretary, the position of Vice President went by default to Clara Struble. It is recorded that the board's first official action was to direct Berg to buy a minute book."

(Excerpt taken from "Pensions For Pedagogues: A History of the North Dakota Teachers' Fund for Retirement, 1913-1988.)

Well, after 85 years of board meeting minutes and board member changes, the purpose of the TFFR Board remains the same. The Board is still responsible for administering the TFFR retirement program. How do they do this?

At a minimum, the Board meets six times each year. The first order of business each fiscal year is to elect board officers. Recently, at their first meeting of the year, the seven-member board re-elected Mark Sanford as President and elected Barbara Evanson as Vice President. In addition, the Board selected three members to serve on the State Investment Board. They are: Mark Sanford, Barb Evanson, and Norman Stuhlmiller. Kathi Gilmore (State Treasurer) also serves on both the TFFR and State Investment Boards. Finally, the TFFR Board selected three members to serve on their Benefits/Services Committee. They are: Wayne Sanstead (State Superintendent), Paul Lofthus, and H.L. "Curly" McLain.



Fay Kopp
Retirement Officer

Also at their first meeting, the Board undergoes a thorough annual review of their mission, goals, actuarial assumptions and methods, investment policy statement, and program policies. They then set an annual calendar and board education plan. That calendar, which serves as the basis for each board meeting agenda, includes planning legislative strategy; developing administrative rules; reviewing the Fund's annual actuarial report and related actuarial studies; monitoring budget, financial, and audit reports; developing program policies; reviewing retirement trends and statistical reports; and determining the services to be provided to TFFR members and employers.

As we look back to that first meeting 85 years ago, we see that the TFFR Board continues their work of maintaining a sound pension program for teachers. And just as a teacher develops his/her lesson plan for the year, the TFFR Board develops its calendar and education plan and sets its course for the year ahead.

Stuhlmiller Re-appointed to the Board



Norman Stuhlmiller

Governor Schafer recently re-appointed Norman Stuhlmiller to the TFFR Board of Trustees for a five-year term. Mr. Stuhlmiller was selected from a list submitted by the ND Retired Teachers Association. Norm has been a TFFR board member since 1995 and represents retired teachers. He was also selected to continue serving on the State Investment Board.

Thanks, Norm, for your efforts on behalf of all TFFR members—both retired and active.

TFFR board members celebrate 85 years. From left: Paul Lofthus, Mark Sanford, Norm Stuhlmiller, H.L. "Curly" McLain, and Barb Evanson. Not pictured: Kathi Gilmore and Wayne Sanstead.



Retirement...

The Decision of a Lifetime



So, you think you are about ready to retire. You are eligible for full TFFR retirement benefits under the Rule of 85. You are a few years away from age 62 when you can start receiving Social Security benefits, but you can begin drawing from your TSA at age 59 1/2. You are in good health. You've reached the top of the salary scale (a few years ago, in fact) and you are beginning to think that you just might like to pursue other activities without the rigid school schedule. And although teaching is a stressful occupation, you love what you are doing, and are not sure it's time to throw in the towel yet. What should you do?

In pondering the question of whether to retire or not, you must remember that the decision to retire truly is a lifetime decision as far as TFFR is concerned. State statutes define retirement as "cessation of covered employment and acceptance of a benefit." State administrative code goes on to say "retirement benefits may not be issued to a teacher who has terminated a teaching position only for the summer months or for a leave of absence." In fact, a recent memorandum from TFFR's

legal counsel states that "if a teacher has not completely ceased the employment relationship, the teacher has not retired, and is not eligible for retirement benefits. Therefore, a teacher's resignation with an agreement to continue teaching the next school year is not ceasing the employment relationship." Because the Internal Revenue Code prohibits in-service distributions from defined benefit plans like ours, if there is only a token cessation of service, the IRS takes the view that this is a subterfuge and that no retirement really took place.

So what does this mean to you, the person who is considering retirement? In simple terms, once you make the decision to retire, you may not enter into an agreement (written or verbal) to continue working for your current, or a different, TFFR-covered employer. You cannot resign from your full time teaching position in the spring and make plans to return to covered employment in the fall in a less than full time position. There can be no pre-existing agreement to return at the time of retirement. The employment relationship must be severed.

TFFR Outreach Services 1998-99

Regardless of your age, now is the time to start planning for your retirement. To assist you, TFFR provides the following outreach programs. Please register early. For more information, phone 701-328-9886 or 1-800-952-2970.

Benefits Counseling Program

Individual 30-minute benefits counseling appointments available to all members to discuss TFFR benefits and other personal retirement concerns. Call to schedule an appointment.

Williston	Nov. 4, 1998
Parshall	Nov. 5, 1998
Fargo	Dec. 9-10, 1998
Casselton	Dec. 10, 1998
Bismarck	Jan. 19-20, 1999
Jamestown	Jan. 20, 1999
Valley City	Jan. 21, 1999
Minot	Feb. 3-4, 1999
West Fargo	Feb. 10-11, 1999
Grafton	March 23, 1999
Cavalier	March 24, 1999
Dickinson	March 30, 1999
Bowman	March 31, 1999

Pre-Retirement Seminars (4 to 7 pm each day)

A pre-retirement planning program covering TFFR benefits, financial planning, estate planning, Social Security benefits, health insurance, and adjusting to retirement.

Jamestown	Nov. 16-17, 1998	Grand Forks	Feb. 24-25, 1999
Bismarck	Jan. 12-13, 1999	Minot	March 2-3, 1999

Pre-Retirement Seminar Registration Form

Name: _____ SSN: _____

Address: _____

City: _____ State: _____ Zip: _____

Home phone: _____ Work phone: _____

Will your spouse/guest be attending? ☐ Yes ☐ No

Name: _____

If your spouse/guest is also a teacher, please provide SSN: _____

Seminar Sites - Select One: ☐ Bismarck ☐ Minot

☐ Jamestown ☐ Grand Forks

Please mail to: Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100

If, through an internal audit or other investigation, it were found that a member did not really "retire," the member would be returned to "active" status and would begin paying assessments into the Fund. The member would also be required to reimburse the Fund for any retirement benefits received by that member. Sound serious? It is.

This decision to retire only applies to North Dakota public schools and state institutions covered by TFFR. It does not apply to North Dakota public colleges and universities, private schools, employment outside of education, or out-of-state employment. A teacher may be employed by any of these entities immediately after retirement with no loss in TFFR benefits. (A retired teacher may also return to TFFR covered employment in limited instances. See article "They Want Me Back!")

A lifetime decision? Yes. You may wish to consider attending a TFFR Pre-retirement Seminar at a location near you to help you make this important decision.

THE YEAR 2000 TFFR IS READY

RIO's Information Systems staff began working on year 2000 solutions early in 1997. We verified compliance or corrected problems in the following areas:

- Mainframe programs that previously used a 2-digit format for the year
- Programs from outside vendors
- The state's mainframe computer
- Personal computers used in our office

No one can guarantee that the transition to the next century will be made without any computer problems, but TFFR members can be certain that we plan to be ready for the year 2000, and that retirement payments should not be affected.

They Want Me Back!



Employer: "Enjoying your retirement? Good. How would you like to come back and help out at the school?"

Retired teacher: "Well, I don't know. Let me call RIO and find out if I can."

Over the past few years, school districts and state institutions have begun to employ more retirees, particularly on a part-time basis. Members have been retiring at earlier ages and this has produced a supply of qualified individuals to fill available positions.

The TFFR Board realizes that utilizing retirees in certain positions can be beneficial to both the employer and the retiree. However, the Board has endorsed statutory regulations that govern the employment of TFFR retirees simply to protect the actuarial and financial status of the retirement system. The Board also recently approved a policy on monitoring retired members who return to TFFR covered employment. Beginning July 1, 1998, employers are required to notify our office of any retired member who is contracted with the employer to provide teaching, supervisory, administrative, or extracurricular services. The reports are necessary because of a trend to contract retirees to fill positions that would normally contribute to TFFR.

Both retirees and employers need to be aware of the specific employment limitations on retirees who are employed by TFFR employers. These limitations apply to North Dakota public schools and state institutions covered by TFFR. They do not apply to North Dakota public colleges and universities, private schools, employment outside of education, or out-of-state employment. The limits do not apply to non-contracted substitute teaching.

Here is a brief summary of the employment limitations contained in state law:

After you retire, you can not return to TFFR covered employment until 60 calendar days elapse from your TFFR retirement date. (See "Retirement," previous page.) You can then return to covered employment for a maximum of 90 working days and continue to receive your monthly retirement benefit. A working day is defined as four or more compensated hours. Members who return to teach for less than four hours may do so without limitation.

Once you exceed the 90-day limit, you are required to notify our office in writing. Failure to do so may result in the loss of one month's annuity benefit. Upon returning to teach and exceeding the 90-day limit, your monthly benefit will be discontinued. (Note: When a retiree's monthly benefit is suspended, the member is not eligible for legislative retiree benefit increases.) You are then required to begin paying assessments on your earnings. Your employer is required to pay the matching contributions. You will earn service credit during the period of time that assessments and contributions are paid.

The following conditions determine whether or not your returning to teach will affect the amount of your monthly benefit:

If you re-retire with two or more years of additional service credit, your annuity will be the sum of the discontinued annuity plus an additional annuity computed using the current multiplier, the additional service credit, and average monthly salary earned during the period of reemployment.

If you re-retire with less than two years of additional service credit, the assessments plus interest will be refunded, and your monthly benefit will be reinstated.

Please contact our office if you have any questions concerning employment after retirement.

Summary of 1999 Proposed TFFR Legislation

The following bills were introduced for study at the Legislative Employee Benefits Programs Committee meeting in July. TFFR's actuary, Watson Wyatt Worldwide, is currently preparing the July 1, 1998 actuarial valuation report. Results of the valuation will determine the amount of actuarial reserves available for funding the plan improvements. Detailed bill drafts are available at the Retirement and Investment Office.

TFFR Study Bill 88 Benefit Increase Bill

- Increases the benefit multiplier from 1.75% to 1.85% for all future retirees.
- Provides a post-retirement benefit increase of \$50 per month for all annuitants and beneficiaries receiving a benefit on June 30, 1999. (These improvements would be funded through actuarial reserves, if available).

TFFR Study Bill 90 Retiree Health Insurance Credit Bill

- Provides retired TFFR members with a monthly credit toward health insurance premiums for the State Health Plan administered by NDPERS.
- Monthly credit is \$2.50 multiplied by years of service credit with TFFR. (A general fund appropriation of approximately \$6 million per biennium is requested to fund this bill.)

Other Bills...

Study Bill 54

Sponsored by Senator C. Nelson for the ND Council of Educational Leaders

- Allows a retired member to return to teaching for up to one year without losing any benefits if at least 50 percent of the salary earned by that person is placed in an educational foundation.

Study Bill 49

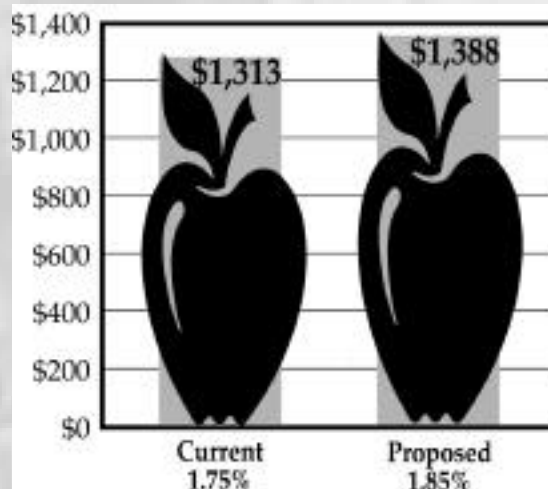
Uniform Management of Public Employee Retirement Systems Act (UMPERSA)

- Adoption of this act affects the authority of the TFFR Board, investments of TFFR and PERS funds, and legal investments of the SIB.

TFFR Study Bill 89 - Administrative Bill

- Names member's spouse as primary beneficiary unless written consent from the spouse to name an alternate beneficiary.
- Requires spousal consent to member's choice of benefit option.
- Removes 60-month provision for converting fringe benefits to salary.
- Reduces vesting and eligibility for benefits from five to three years.
- Changes early retirement reduction from age 65 to earlier of age 65 or Rule 85.
- Removes availability of partial service retirement.
- Modifies purchase of service credit provisions by:
 - No longer requiring members to be vested to purchase out of state service credit and removing the year for requirement to purchase out of state service credit.
 - Allowing members to purchase leave of absences, private or parochial school teaching service, and "air time."
 - No longer allowing members to purchase college credit.
 - Removing the one year time limit to purchase legislative credit and professional educational organization credit.
 - Removing limits on the amount of additional service credit that can be purchased by a member with the exception of "air time."

How Will the
Proposed
Benefit
Increase
Affect You?



Monthly retirement benefit of a member who retires on July 1, 1999, with 30 years of service credit and final average salary of \$30,000.

What's Included in Salary?

Members and employers frequently inquire about what payments are subject to TFFR withholding. Remember that both you and your employer must pay 7.75% of your salary to TFFR to fund the retirement plan.

State law defines TFFR salary as a member's earnings in eligible employment for teaching, supervisory, administrative, and extracurricular services during a school year (July 1 - June 30). This includes any salary reductions or deferrals under 26 U.S. C. 125, 401(k), 403(b), 414(h), or 457.

Therefore, in addition to your regular contract earnings, salary for TFFR purposes also includes additional pay for the following:

(Note: This list is not all-inclusive.)

- Advisor/Director/Monitor of activities such as cheerleading; class; concession stand; drama; FHA/FFA; home school; intramural sports; lunchroom; math club; music programs; newspaper; pep club;

photography club; playground; science club; speech team; student council; yearbook staff; writers club, etc.

- Adult education
- Bonuses/grants/stipends
- Chaperoning school events
- Coaching and assistant coaching
- Consortium type work
- Curriculum development/writing
- Driver's education
- Drug free school program
- Head start program
- Goals 2000 program
- In-service/Workshop/Conference attendance (not expense reimbursement)
- In-staff subbing
- Indian education
- Information technology support
- Summer school/summer programs
- Ticket taking at school events

According to the North Dakota Century Code, salary DOES NOT include fringe benefits such as

payments for unused sick leave, unused personal leave, unused vacation leave, housing allowances, transportation expenses, early retirement incentive pay, severance pay, medical insurance, workers compensation benefits, disability insurance premiums or benefits, referee pay, bus driver pay, or janitorial pay. Salary does not include cash received under a qualified IRS section 125 plan. Salary does not include pay received by a member in lieu of previously employer-provided fringe benefits.

TFFR sends account statements to members each August. Members may also request their personal account information throughout the year. Your employer reports the salary included in your account history to us. Since salary is used to calculate your retirement benefit as well as the amount of assessments and contributions paid to TFFR, it is very important that the correct amount is reported to TFFR. Please review your annual statement and notify your employer and our office if the salary information is incorrect.



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